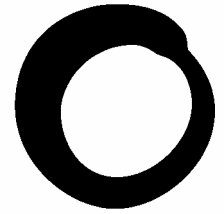


July 2005



**Friends of
the Earth**

Briefing

The Tesco Takeover

Tesco's response to our report

Friends of the Earth inspires solutions to environmental problems, which make life better for people.

Friends of the Earth is:

- the UK's most influential national environmental campaigning organisation**
- the most extensive environmental network in the world, with almost one million supporters across five continents and over 60 national organisations worldwide**
- a unique network of campaigning local groups, working in over 200 communities throughout England, Wales and Northern Ireland**
- dependent on individuals for over 90 per cent of its income.**

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In June 2005 we produced a report, The Tesco Takeover, looking at the impacts of Tesco's expansion. Tesco produced a response to our report (see Appendix), which we have read with interest, but we are disappointed that they seem to have paid little serious attention to the points we make in our report, instead simply accusing us of inaccuracies. We stand by our original report and refute these claims of inaccuracies. These are examined in detail below.

Corporate responsibility

Tesco refute the claim that they have been heavily criticised for their Corporate Responsibility performance and reporting, citing their good performance on the Business in the Community (BiTC) Index and popularity in opinion polls on this issue.

There are a number of ways in which Corporate Social Responsibility can be viewed, and the BiTC's methodology is one way, and is well liked by the industry. We obviously welcome Tesco's commitment to corporate giving and community projects. The public are constantly made aware of such initiatives through marketing and publicity, and as most consumers are also using Tesco, any poll of the UK public is likely to feature Tesco.

But these small initiatives do not provide any objective assessment of their performance as a company buying and selling produce around the world and employing over 365,000 staff. As we stated in our report, the CSR Network/Accountability rated Tesco poorly for accuracy and comprehensiveness of their reporting (www.accountability.org.uk). As The Grocer magazine put it "*Tesco may have trounced the competition with its £2bn+ profit, but it has scored a lowly 26% for its corporate social responsibility record in a league table of the world's largest companies.*" (Grocer 16th April 2005).

The CSR Network author says: "*More than £7bn of Tesco's sales are now outside the UK, yet its report covers only the UK in a systematic way.*"..."*It employs thousands of staff in the UK alone and yet the report contains no information on the number of lost time accidents during the year or the amount of time lost through work-related ill-health.*"

What matters to Friends of the Earth is how Tesco operates, treats its staff and suppliers, how it takes account of local community concerns and how it treats the environment.

Supplier relationships

Tesco say they have strong relationships with their UK suppliers, and that our statement that they have producers "*over a barrel*" is inaccurate. Tesco support this by quoting positive examples of their interactions with suppliers, which we have no doubt are accurate.

However, they have done nothing to refute the fact that there are many suppliers who do not paint such a rosy picture of their relationship although they are, in the main, too frightened to speak out.

Tesco quote a South African grape grower praising the supplier-retailer relationship, yet a recent *Grocer* magazine article revealed that South African growers were claiming that "*worsening returns from supplying UK supermarkets meant some producers were already starting to hawk their produce around Asia*" (A not so rosy future? *The Grocer*, 2nd July 2005).

The Competition Commission in 2000 noted that use of 27 practices by Tesco and the other

supermarkets “operates against the public interest”. For this reason a Code of Practice was introduced. Sadly, the recent review of that Code’s effectiveness in 2004 indicated that supermarkets had not needed to change their practices as the Code is so weak. Therefore these practices continue and suppliers suffer.

Tesco state that they take the Supermarkets Code of Practice very seriously, and deny that it is a voluntary and weak code. It is *essentially* a voluntary code – we are aware that it became legally binding once the supermarkets signed up to it, but the big four supermarkets of the time only agreed to be bound by a Code that was produced in close liaison with themselves, thereby ensuring that the terms of the Code were not particularly onerous. The Code is vaguely worded and weaker than the recommendations of the Competition Commission that led to its development.

Support for British farming

Tesco state that they are British agriculture’s number one customer. Tesco’s size no doubt means that this is the case. But although fresh meat and dairy may be predominantly British, processed food is not considered in these figures. Tesco also needs to deal with large-scale suppliers in order to achieve cheap prices – this excludes small British farmers, who are already an endangered species. They also do not comment on the recent Soil Association organic meat survey we quoted, which showed Tesco imports half of its organic pork and more than half of its organic beef.

Tesco state that they have increased prices paid to milk and cheese suppliers. We did in fact mention in our report that Tesco increased prices for cheese in May 2005. Unfortunately Tesco fail to address the point we actually made: to reassure us that the price will be maintained, and the price rise will reach farmers.

Tesco ignore the findings of our 2003 survey on apples, quoting proportions of various apple varieties that are British in season and outlining future plans. The fact is that volunteers from over 35 Friends of the Earth local groups visited local supermarkets in early November 2003. 40 Tesco stores were visited, and just 42% of the apple lines on sale were sourced in the UK. We are pleased that Tesco intend to offer more support for British apple growers, but disappointed that they dismiss the findings of our survey out of hand.

Overseas workers

Oxfam’s ‘Trading Away Our Rights’ report

Tesco say that they thoroughly investigated the claims made in Oxfam’s ‘Trading Away Our Rights’ report and explained to Oxfam why they were inaccurate. Oxfam agree that Tesco has engaged in discussions over issues of concern identified in the report over the past 16 months, but point out that Tesco was given the opportunity to comment and correct factual inaccuracies prior to publication.

Oxfam followed up Tesco’s challenges with further investigations, and were able to confirm that their findings remain correct. They continue to urge Tesco to take immediate action to investigate and tackle problems of precarious employment in their supply chain, most immediately among farmworkers in South Africa.

Oxfam look forward to continuing their dialogue with Tesco so that constructive actions will

be taken to improve employment conditions and labour rights of workers in the global supply chains.

ActionAid's 'Rotten Fruit' report

Tesco say that ActionAid refused to share their evidence of poor labour standards on South African fruit farms. ActionAid made it clear to Tesco that they could not share the evidence of workers receiving incomes below minimum wage because of confidentiality agreements made with the interviewees. Tesco also do not appear to dispute the fact that there is a problem with increased casualisation in this sector.

Banana Link reports

Tesco claim that the Costa Rican plantation referred to by Banana Link where anti-union activity takes place does not supply any of their bananas. Banana Link maintains that this plantation was part of a consortium that supplies Tesco with a large volume of bananas, although the specific plantation was an irregular supplier and was closed down following serious floods in early 2005. But the majority of the bananas sold by Tesco from this consortium have always, and still do, come from plantations owned by the same group, where there have been consistent reports of violations of the ETI Base Code to which Tesco is committed. Clauses violated include trade union freedom and collective bargaining; payment of a living wage; and basic health and safety provisions.

Banana Link were delighted that Tesco was one of *three* British retailers represented at the International Banana Conference and genuinely hope that this marks the beginning of constructive dialogue to address very serious concerns about the banana supply chain, particularly with regard to pricing and the subsequent impact on wages and labour standards.

Fair Trade

We welcome the large increase in fair trade produce being sold, and Tesco's role in this. But we suggest that the prominence given to Fair Trade produce by Tesco in all its publicity could imply commitment to the ethos of fair trading for *all* their produce. This is not what suppliers or the competition authorities' work indicates is the case. We are concerned therefore that the public may be being misled by claims on Fair Trade.

Employment

Tesco claim that they do not currently use homeworkers in their supply chain. But as recently as Christmas 2004 the National Group on Homeworking had contact with homeworkers who were packing products such as gift wrap for Tesco and other high street retailers and supermarkets. If Tesco no longer has homeworkers in their supply chain this is of concern; if they have implemented a 'no homeworking' policy this would be contrary to the principles of the ETI Base Code.

The National Group on Homeworking seek to improve employment rights and conditions for homeworkers, not stop their use in supply chains. But they have been told that pressure from Tesco and other retailers to reduce costs for new orders has led to a situation where suppliers cannot afford to increase wages or piece rates in line with National Minimum Wage

increases, and work is increasingly being relocated overseas. We would like to see evidence to support Tesco's claim of no homeworkers in their supply chain.

Tesco state that more people are working in retail than ever before, but do not address our point that small grocery shops employ proportionately more staff than large supermarkets, and so do more to support local economies. In 2004, UK small grocery shops had a turnover of around £21 billion and employed more than 500,000 whilst Tesco, with a £29bn turnover, employed just 250,000 people.

Community impacts

Tesco say that their presence can stimulate and regenerate local communities, citing research carried out in several towns. Yet we have heard from countless communities affected by the opening of a new Tesco store, including Hove, where local traders have seen a fall in takings despite claims that the store has attracted 30,000 new shoppers, Fakenham where there has been a 33% rise in the number of vacant shops, and Stalham where traders are reporting drops in business of up to 40%. Tesco need to be aware of their impacts for all sites, not just where they can show they have had a positive impact.

The Beverley Retail Study

Tesco point out that the Beverley Retail Study is available from East Riding Council. We have been informed that this is now correct and have looked at a summary of the report by independent retail consultants (who list Tesco as a client). It states that the store had improved availability of food shopping and improved car parking facilities.

But a Beverley resident saw the development in a different light. In writing to the local press of another town considering a Tesco application, she said that *"Within months of the opening of Beverley's Tesco, other shops began to close... The roads around Tesco provide perpetual traffic jams, in our narrow and fragile streets... The whole town has been destabilised by the coming of the giant, and, with worse shops and the loss of parking, Tesco has been a planning disaster from which the town may never recover"* (Store warning, *Hexham Courant*, 18th March 2005)

Castle Douglas

Tesco claim that local people are in favour of their proposed store in Castle Douglas because they are unhappy with the lack of supermarket choice in the town. But there is little evidence that people are unhappy with existing store provision in Castle Douglas. In fact the contrary is true, and support for the campaign against the Tesco application is strong. There are over 230 businesses based in or trading from Castle Douglas, of which at least 200 are locally owned and independent. 135 businesses operate within the 'town centre' (area defined as town centre by Stewarty Local Plan/Dumfries and Galloway Council). Of these, 47 are either new businesses, have relocated or have changed owners in past five years. This is very impressive for a rural market town with a population of less than 4000. The 'Save Our Stewarty Shops' campaign (supported by many of these businesses) argued via planning objections that there would be an adverse impact, and that it would also be felt in neighbouring towns and villages, damaging the rural economy and society.

Post office closures

Tesco say that they have maintained a large majority of the post offices in stores acquired from T&S in 2003 but they provide no figures. Their assurances will be of little comfort to those who live in communities where they have closed post offices. Chelmsford residents have just discovered that they are to lose the Broomfield Parade Post Office. As local councillor Tom Smith-Hughes said in a local paper - *“There is a lot of anger because when two other nearby post offices were closed two years ago, this was the alternative which was offered by the Post Office... Tesco say people have said they would welcome a wider range of services and we are not denying that, but people would rather have a post office and the present situation”*.

Environmental impacts

Climate change

Tesco claim that our store energy use figures do not compare like with like. This is simply not the case – the industry average of 2.4 GJ/m²/yr we referred to is the figure for supermarkets only. Tesco’s figure was double this. In fact, if Tesco’s energy use is compared to greengrocers, which have an average figure of 0.835 GJ/m²/yr, Tesco use around five times more energy per unit area.

We welcome any efforts to introduce energy efficiency technology but given the inability of large stores to be efficient and given Tesco’s expansion plans, they are also unlikely to meet total energy use reduction targets.

Carrier bags

Tesco claim that we criticise their customers for using carrier bags. We do nothing of the kind – we simply remind people that carrier bags are a significant disposable product stream, usually destined for landfill. We are pleased that Tesco are taking this problem seriously with several initiatives, including putting in place recycling points and encouraging customers to recycle.

It is also important, though, that the need for new carrier bags to be produced and distributed is reduced. This is not addressed by the use of degradable bags. In fact degradable bags are likely to be used fewer times than non-degradable bags and they will not be recycled at the need of their life. Alternatively, training staff to discourage customers from taking bags at the till by only offering them when they are requested or charging a small fee for a bag would help to reduce the number of bags given away.

Packaging waste

Tesco refute our point that they say nothing about reducing packaging sold to consumers. We are pleased to note that Tesco did devote a paragraph to this issue in the 2004/05 CSR review, but there was no mention of this in the previous year’s report to which we were referring. We hope that Tesco plans to continue this work and extend the experience learnt from the innovative packaging project to other products with the aim of reducing packaging across their ranges.

Risky chemicals

Tesco claim that they responded to the risky chemicals questionnaire of 2004 and we ignored their response. Although we did receive correspondence from Tesco, we did not receive a completed questionnaire from them or sufficient information to rank their policies on hazardous chemicals in our league table. In effect, they did not respond to the questionnaire. This was detailed in the 'Shop Till You Drop?' report published in May 2004.

GM food

Tesco fail to respond to the points we make in our report on their position on GM animal feed. Tesco should be aware that there is currently enough non-GM soya grown to satisfy the market for animal feed in Europe - and there is not a prohibitive cost to sourcing it. Tesco should be working with their suppliers to find solutions that benefit both farmers and their customers.

Because animal products, like milk, meat and eggs, produced from GM-fed animals do not have to be labelled, customers cannot easily vote with their wallets as they can over GM ingredients in food, which have to be labelled. Therefore the fact that Tesco continues to sell animal products that have been produced using GM feed is hidden. However, once consumers are made aware of the issue, the majority would prefer not to eat foods produced from GM-fed animals.

Brazil, the main source of non-GM soya, has recently started allowing farmers to grow GM soya. If retailers and food manufacturers, like Tesco, don't act now and place firm orders for animal products non-GM soya for animal feed, Brazilian farmers are likely to grow more and more GM crops. Not only will this result in GM crops continuing to enter the food chain, but it will threaten the availability of non-GM ingredients for food products in the future. This is because the vast majority of soya is grown for animal feed - and the same crops are the source of products such as soya oil and lecithin used in food like biscuits, ready meals and chocolate.

Palm oil

Tesco say they are disappointed not to receive a written response from us to their detailed letter on palm oil sourcing. We are disappointed that Tesco say in their letter that they will not take any action on agreeing minimum standards, tracing palm oil and joining a roundtable on sustainability in palm oil as we requested them to. We hope they will change their minds as palm oil is contributing significantly to deforestation of some of the world's most important wildlife areas.

Conclusion

It is a shame that Tesco have placed more emphasis on claiming inaccuracies in our report than seriously considering the points we make. We are rather surprised that Tesco claim that we refuse to meet with them, as we have met with Tesco in the past, and have every intention of doing so again. The previous two attempts to hold meetings have been unable to take place – one because we had to cancel, the other because Tesco had to cancel. This hardly constitutes a refusal to meet with Tesco, and we are disappointed that they interpret it as such.

Appendix

Tesco's full response to our report

23rd June 2005

Friends of the Earth Briefing 'The Tesco Takeover'

Tesco Response

The Friends of the Earth Briefing paper includes at least 22 inaccurate claims our business practices – this paper outlines the facts.

A full account of our social, environmental and ethical performance can be found in our Corporate Responsibility Review 2005 and on our website www.tesco.com/corporate.

Claim 1

Friends of the Earth claim that Tesco has been 'heavily criticised' for our Corporate Responsibility performance and reporting.

The facts:

The Business in the Community (BiTC) CR Index 2004 - the most respected corporate responsibility benchmarking survey in the UK - commended Tesco for outstanding performance in 2004. We achieved over 95% in 5 out of 7 of the benchmarked areas including Corporate Strategy, Integration, Community Management and Environment Impact.

Tesco was first in our sector in the 2004 Business in the Environment survey conducted by BiTC.

In a 2004 MORI survey of public attitudes to Corporate Responsibility Tesco was most frequently named as the company which helps the community and society. 56% said that Tesco had a positive effect on their community.

Our membership of FTSE4Good indicates that we meet globally recognised CR standards.

Tesco has been a member of Business in the Community's PerCent Club for over 15 years. We give at least 1% of our pre-tax profits to charity – in 2004/05 our contribution was £21,762,931.

Our Corporate Responsibility Review 2005 outlines the many ways in which our Corporate Responsibility policies and practices have improved the way we operate including:

- Receiving Grade A rating from Greenpeace for our FSC and TFT garden furniture range
- Training buyers and suppliers to uphold labour standards in our supply chain
- Having our in-house training accredited by the Qualification and Curriculum Authority so we can award NVQs.

We continue to listen and respond to the views of stakeholders and have met over 30 NGOs in the last year.

Claim 2

Friends of the Earth claim we have UK suppliers 'over a barrel'.

The facts:

Tesco has built strong long-term partnerships with suppliers at all levels in the UK and overseas to ensure our customers have a reliable supply of goods, and new and better products through investment and innovation.

This approach benefits our suppliers by giving them a certain and growing market for their products, regular on-time payments and our commitment to sharing our understanding of customers. This helps our suppliers to develop better products, increase their sales and grow their businesses.

“Both the grower and the worker benefit from the stability which results from an ongoing relationship with the leading UK supermarket Tesco. As primary risk taker and capital investor we as growers are exposed to all the uncertainties associated with growing produce for the global markets. Our ongoing relationship with Tesco and our ability to continue to supply into their growing demand help us to mitigate these risks and to continue to reinvest into our business.” Grape grower, Peu Bezuidenhout Naftali Farm, South Africa.

Our commitment to strong relationships with our suppliers led us to carry out our first Supplier Viewpoint survey - an independent survey of suppliers views. Suppliers told us that they think we are professional, committed to our customers, fair and consistent. The majority said that working with Tesco has helped them improve their business. They also gave us some ideas as to how we could do better. For example they would like us to simplify how we work with them so that they do not have to deal with a number of different parts of the company. They would like us to do more to make ourselves available and to help them to tackle problems they might have. Friends of the Earth claim this move is to head off more legislation, our motive is much simpler – the simple, practical advice of our suppliers helps us to raise our game and build good long-term relationships.

Claim 3

Friends of the Earth say that the UK Government’s Supplier Code of Practice is a voluntary and weak code.

The facts:

The Supplier Code of Practice is a statutory, not voluntary, code. Only four businesses, including Tesco, are bound by its terms. It is audited by the Office of Fair Trading (OFT). In March 2005 an OFT audit found no breaches of the Supplier Code at Tesco. The audit showed that suppliers do take up issues with us regularly.

We take implementation of the Code extremely seriously. Since its introduction we have run a tailored training programme for all Tesco buyers to promote understanding and compliance. To further support the Code we have appointed a Code Compliance Officer to hear formal complaints confidentially if requested.

Claim 4

Friends of the Earth claim that Tesco does not support British farming.

The facts:

We are British agriculture’s number one customer. 100% of the milk and eggs and 93% of the fresh meat we sell is British. We actively work with British farmers and suppliers to extend the growing season and introduce new varieties so we can offer more British produce to our customers.

Contrary to the misleading impression created by FoE we have a positive relationship with the National Farmers Union. Over the last few months the NFU President, and other Office-holders, have publicly praised our work on:

- rolling out the re-launched 'Red Tractor' farm assurance scheme
- helping UK farmers diversify by building the market for biofuels
- launching a new range of UK outdoor-bred pork, delivering 65% growth on previous premium pork products
- developing an ambitious joint strategy with UK suppliers to double our sales of prepared vegetables in 3 years.

Claim 5

Friends of the Earth criticise us for not taking a lead on milk prices

The facts:

Dairy farmers have seen increased cost pressures over the last year, with increased prices for raw materials such as animal feed and packaging. We responded quickly, with higher prices paid to our milk and cheese suppliers.

Claim 6

Friends of the Earth refer to a study they conducted in 2003 in which they say they found that 'more than half of Tesco's apples are imported'.

The facts:

During the British apple season 100% of Cox, Spartan, Discovery, Worcester and Egremont Russet in our stores are UK grown.

We are constantly working to sell more British apples, at a recent apple industry event attended by WWF, Tesco supported the 80% Group who are working to increase the market for British apples and pears. We led the way with an announcement of our aim to double sales of British apples over the next 3 years.

We've been working in partnership with our British apple suppliers for years to increase the amount of British apples we sell. For example Adrian Scripps Ltd – who have supplied Tesco for over 16 years - worked with Tesco to launch the first British commercial green eating apple – Greenstar.

Claim 7

Friends of the Earth state that Tesco 'summarily dismissed' Oxfam's 2004 'Trading away our rights' Report

The facts:

Unlike Friends of the Earth, Oxfam have been willing to meet us and engage directly on the issues raised in their report. We have met Oxfam on 3 occasions since they issued their report. We have also met their local partner NGO Women on Farms. We thoroughly investigated the claims they made and explained to them why they were inaccurate.

Tesco works closely with our suppliers to raise and uphold labour and environmental standards. For example our largest South African supplier runs programmes to develop and train women workers and encourages farm worker ownership and empowerment through the Thandi initiative.

"Nine years ago we were just normal farm workers. Today we are owner. The Thandi initiative is developing leaders for sustainable agriculture in South Africa." Susan Kraukamp of the Lebanon Trust, the first Thandi farm to be accredited to Tesco Nature's Choice.

“We have an excellent long-term partnership with Tesco, supplying wine and fruit from South Africa. Tesco fully support the importance we attach to ethical standards and the need to ground these in a successful business relationship based on trust and dialogue. For example, Tesco sponsor and support our Capespan Foundation which works to promote black empowerment, women workers’ rights and capacity building.” Louis Kriel, European Managing Director of Capespan.

Working with our suppliers in South Africa, Tesco is helping to transform the lives of many farm workers for the better - by ensuring proper employment conditions, upholding ethical and environmental standards, and through community projects to improve education and the role of women. Our suppliers comply with minimum wage legislation and provide free housing, medication and schooling for their workers.

Claim 8

Friends of the Earth claim ‘Tesco demanded payments from suppliers of £278 per year for each supplying site to cover the costs of its compliance with the ETI.

The facts:

Tesco is a founder member of the ETI and takes a robust approach to ethical trading. Our aim is to work with our suppliers to ensure implementation of the ETI base code in our supply chain. We offer our suppliers support in meeting the standards outlined in the ETI base code by running ethical trading workshops, briefing suppliers on ethical trading issues, working with consultants and experts in the field and participating in industry wide capacity building initiatives such as Sedex (an online database which assists suppliers and retailers by exchanging audit information - www.sedex.org).

We ask our suppliers to make a quarterly contribution of less than £70 to help cover the cost of this training and support. This is not a ‘per site’ contribution as claimed by Friends of the Earth but a total for the supplier. For example Capespan paid this contribution for a training programme run in South Africa to which we invited all growers – this was attended by 46 growers from South Africa, Kenya and Zimbabwe. 100% of our high risk suppliers have attended ethical trading training in the last year with courses being held in UK, Dhaka, Hong Kong, Shanghai, Bangalore, Cape Town, Sao Paulo, Lyon and Malaga.

Claim 9

Friends of the Earth say that reports by ActionAid report and Banana Link show that we are pushing down prices and forcing suppliers to rely on seasonal labour.

The facts:

ActionAid have met us and discussed their concerns directly. We explained to them that our thorough investigations found no evidence for the claims they made about labour standards on fruit farms growing for Tesco in South Africa. We asked them to share their evidence with us to help us investigate further but they refused to do that. Nonetheless, we have made it clear that we will play our part in any initiative to ensure that working and living standards for workers are properly enforced in South Africa. To this end we have contacted the multi-stakeholder organisation, WIETA, to discuss extending their work in the South African wine industry to the fruit industry.

Banana Link’s claims referred to a plantation which do not grow bananas for Tesco. However we demonstrated our commitment to upholding labour and environmental standards in our banana supply chain by being one of only two retailers to accept Banana Link’s invitation to attend the International Banana Conference in April 2005.

Claim 10

Whilst Friends of the Earth agree that we have the widest range of Fairtrade products, they criticise us for not selling enough and for selling Fairtrade roses

The facts:

One-third of all Fairtrade products in the UK are bought from Tesco stores. That's because we have a superb range of Fairtrade products. We have extended our range to over 90 lines including roses, tea, coffee, chocolate, cookies and fruit. We offer the widest Fairtrade range of any supermarket and we want to offer more.

As soon as new products are certified we work hard to bring them to customers. We are developing a track record working with the Fairtrade Foundation to bring new lines to our customers – in 2004 we were the first retailer to sell Fairtrade roses.

Tesco customers have bought over 15 million Fairtrade roses in the first year alone. Their enthusiasm for Fairtrade flowers has helped to fund a tree nursery enterprise, children's playgrounds and school furniture and equipment.

Friends of the Earth say that the farms producing the flowers are too big. However the Fairtrade Foundation worked with us and the farms to achieve certification because they believe that Fairtrade aims to improve the position of all particularly disadvantaged people in developing countries, not just small farmers.

The Fairtrade Foundation have stated that supporters of Fairtrade 'can be assured that flowers operate to the same level of standards and certification as all other products that carry the Fairtrade mark'.

Tesco continue to work closely with the Fairtrade Foundation to bring new products to customers. On 6th June 2005 Tesco became the first UK retailer to sell Fairtrade basmati rice. The premiums received from basmati rice sales will be invested in improving farmers agricultural practices as well as improving educational opportunities, establishing financing facilities and improving sanitation in the farmers villages.

Claim 11

Friends of the Earth state that homeworkers, gangworkers and contract cleaners are crucial to our operations. They criticise us for not reporting on them in our CSR Review.

The facts:

We work hard to ensure that the employment rights of workers within our supply chain are upheld. We use the ETI Base Code as our standard and as outlined above we ensure its implementation by setting clear targets for risk assessment and auditing, training our buyers, technical managers and suppliers.

We have also played a proactive role with the Gangmaster Licensing Authority, funding and organising two half-day training and awareness-raising events, which our entire supply chain was invited to. In addition we are participating actively in the ETI Temporary Labour Working Group and have written to all our produce suppliers to explain the work done by the Group. We report on this work on page 23 of our Corporate Responsibility Review 2005.

We do not report on homeworkers as we do not currently use homeworkers in our supply chain. Our ethical assessments will identify if this situation changes and we would expect our suppliers to ensure that the ETI Base Code applies to homeworkers as it does to any other workers.

We have met organisations representing contract cleaners in the past year to discuss issues of concern and will report on our progress in this area in our 2006 Review.

Claim 12

Friends of the Earth describe a retail market with falling employment and dominated by a small number of supermarkets

The facts:

More people are working in retail than ever before, with the number of people employed increasing by 343,000 over the last five years. Specialist retailers of clothing, paint, cosmetics, toiletries, glassware, hardware, and pharmaceutical goods have all increased the number of jobs available.

Recent research from the IGD showed that small retailers can thrive by operating along side a major supermarket by attracting the footfall generated through specialist products and additional customer service. The Government's Sector Skills Development Agency predicts that another 270,000 retail jobs will be created by 2012.

Claim 13

Friends of the Earth claim we damage market towns

The facts:

Tesco investment in a local community can stimulate the local economy, regenerate brownfield sites, bring new investment and create jobs and careers. Research in towns such as Beverley, Ludlow and Haslemere has shown that Tesco stores in town centres can act as magnets for other shops.

Claim 14

Friends of the Earth say that the Beverley report 'as yet unavailable'

The facts:

The Beverley Retail Study has been available from East Riding Council for over 2 years.

Claim 15

Friends of the Earth claim planners and local people are opposed to our proposed store in Castle Douglas.

The facts:

The proposed store in Castle Douglas was approved unanimously by the local authority planning committee. A recent phone poll in the Galloway News showed that more than 80% in favour of our proposals. Many local people are unhappy with a lack of supermarket choice in the town and travel long distances to do their weekly shop, for example to Dumfries. A new Tesco will prevent this shopping exodus, keeping shoppers in the town who will also visit other local shops. In addition, it will attract customers from the surrounding area, who will make linked-trips to the towns.

Claim 16

Friends of the Earth say we have been leaving communities without access to Post offices.

The facts:

We have retained a large majority of the post offices in stores we acquired from T & S in 2003. In some cases however, this has not been possible for reasons of space: when a store is upgraded to Tesco Express, it needs a little more room to provide the wider range of products including fresh fruit

and vegetables, that our customers like to have. In these cases we work to relocate the post office counter locally by advertising for suitable candidate and providing financial and practical support for those who want to transfer the post office to their business. We have successfully relocated post office counters to a variety of locations including other retailers and community centres.

Claim 17

Friends of the Earth claim that our store energy use is double the industry average.

The facts:

Friends of the Earth are not comparing like for like. To compare our energy use with corner shops, Department stores and Travel agents is misleading as we stock a wide-range of essential chilled products such as milk, eggs and cheese.

Over the past 5 years we have consistently reduced the amount of energy we use per foot of sales space by an average of 5% each year.

We have a number of energy efficiency initiatives underway in our stores including a staff energy training video produced with the Carbon Trust, the creation and training of store energy champions and energy audits for high use stores. We continue to test use of renewables at our stores including solar panels and geothermal heating and cooling systems.

Claim 18

Friends of the Earth criticise our customers for using carrier bags.

The facts:

Customers need strong, durable packaging for their shopping especially when travelling home on public transport. We are helping our customers to make more sustainable choices by:

- putting bag recycling units in prominent positions in all our superstores
- introducing degradable carrier bags in over 500 stores saving 6,035 tonnes of non-degradable plastic
- promoting recycling messages on carrier bags
- investing in promoting Bags For Life and training staff
- working with WRAP on a innovative bag reduction project to raise customer awareness, and reduce the number of bags we give out.

Claim 19

Friends of the Earth claim that ‘Tesco say nothing about reducing packaging sold to consumers’

The facts:

We are constantly looking for ways to reduce packaging whilst maintaining product integrity , nutritional labelling needs and customer expectations. We are currently working with WRAP (the Government’s Waste Resources Action Programme) on a number of projects relating to packaging minimisation, including a project to improve the design of ready meal packaging with the aim of reducing product packaging by 10%. We have reported on this on page 50 of our Corporate Responsibility Review 2005.

Claim 20

Friends of the Earth state that Tesco ‘did not even bother to reply’ to their risky chemicals questionnaire.

The facts:

Tesco responded in writing to the Friends of the Earth risky chemicals questionnaire on 12th March 2004 and are disappointed that Friends of the Earth ignored our response.

Claim 21

Friends of the Earth claim that farmers cannot buy non-GM feed due to the prices Tesco pay them.

The facts:

We do not buy directly from farmers but from suppliers. The farming community continue to tell us that to extend the range of meat we sell from animals fed on non-GM would put immense pressure on them due to the current market rate paid by suppliers.

Claim 22

Friends of the Earth say we have refused to agree minimum standards, trace palm oil and join a roundtable on sustainability in palm oil

The facts:

Tesco is committed to playing our part in addressing issues relating to sustainable sourcing and are disappointed that we have not received a written response from Friends of the Earth to our detailed letter on palm oil sourcing.

Palm oil is an ingredient in a wide range of food and non-food products. The Palm Oil Sustainability Group is investigating concerns relating to palm oil cultivation and is helping to define what is sustainable. We are monitoring the work of this Group and will actively engage at an appropriate stage in their work.

We have recently initiated further discussions amongst retailers through British retail Consortium to explore the role of retailers and future opportunities for collective action at a UK and EU level where it is needed.

Conclusion

We hope you have found this response to the claims made in Friends of the Earth’s Briefing helpful.

Our Corporate Responsibility Review 2005 which gives further detailed information on our social, environmental and ethical performance. We would welcome your feedback on our CR performance and have included an on-line feedback form on our website www.tesco.com/cr.

We take very seriously any claims made about our business practices and always talk directly to those making the claims, it is disappointing that Friends of the Earth refuse to meet us. We would like to invite them to match their commitment to campaigning against us with a commitment to talking to us.

If you further information please contact our Corporate Responsibility Team on 01992 644 230 or email crteam@uk.tesco.com